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To,

Head, Listing Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.

Head, Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400051.

Scrip Code: 542650

Scrip Symbol: METROPOLIS

Sub: Transcripts of Earning Call for Q4FY2021.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith transcripts of the Earning Call held on Friday, May 28, 2021 wherein the management of the Company discussed the Financial and Operational Performance of Q4FY2021.

This is for your information and records.

Thanking you,

Yours faithfully,
For **Metropolis Healthcare Limited**

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Encl. a/a

“Metropolis Healthcare Limited's Q4 FY'21 Earnings Conference Call”

May 28, 2021

MANAGEMENT:	**MS. AMEERA SHAH – PROMOTER & MANAGING DIRECTOR, METROPOLIS HEALTHCARE LIMITED** **MR. VIJENDER SINGH – CHIEF EXECUTIVE OFFICER, METROPOLIS HEALTHCARE LIMITED** **MR. RAKESH AGARWAL – CHIEF FINANCIAL OFFICER, METROPOLIS HEALTHCARE LIMITED**
MODERATOR:	**MR. ANMOL GANJOO – JM FINANCIAL INSTITUTIONAL SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Metropolis Healthcare Limited Q4 FY'21 Earnings Conference Call hosted by JM Financial Institutional Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there'll be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anmol Ganjoo from JM Financial Institutional Securities Limited. Thank you and over to you, sir.

Anmol Ganjoo: Yeah, hi, good morning, everyone. On behalf of JM Financial Institutional Securities, we are happy to host Metropolis Healthcare management for their 4Q FY'21 and Full Year Earnings Conference Call.

From the management side, we have Ms. Ameera Shah – Promoter and M.D.; Metropolis, Mr. Vijender Singh – CEO; and Mr. Rakesh Agarwal – CFO for the company.

I will now hand over the call to Ameera for her Opening Remarks and look forward to an engaging session as always. Thank you, Ameera for joining us and thanks Metropolis management. Over to you, guys.

Ameera Shah: Thank you, Anmol. Good morning, everyone, and thank you for joining us for the Q4 FY'21 Earnings Call. I hope you and everyone around you are safe and healthy. I'm joined today by Vijender and Rakesh and SGA, IR advisors.

The Presentation and Press Release have been issued to the exchanges and uploaded on the company's website. I hope everyone's had an opportunity to go through the same.

It gives me immense pleasure to share with you that our company won the Leading Diagnostic Chain of the Year Award at the Diagnostic Leadership Summit held in February '21, recognizing us in this most challenging and eventful year for our industry.

Besides a being successful year for us and taking care of patients, I'm happy to announce it is also a successful year for us as a business. We recorded highest ever yearly revenue, EBITDA and PAT in 2021. Revenue grew by 17% YoY, EBITDA before CSR and ESOP grew by 29% YoY and EBITDA margins expanded by 290 bps and PAT grew by 44% year-on-year.

Let me start by giving a Quick Snapshot of '21:

Most of the unorganized diagnostic sectors were negatively affected this year as regular patient resists to doctors and therefore diagnostic labs are affected. Since these labs did not qualify to the COVID testing, they've been less visible and experienced by patients during this time.

For Metropolis, we were able to quickly scale up with COVID facilities and COVID revenues fill the gap created due to the disruption in healthcare services. While COVID revenue formed

29% of the total revenue in Q1 and rose to 34% of the total revenue in Q2. In Q3, as cases moderated and sample tests came down it stood at 19%. The lower contribution in Q3 was a factor of normalization witnessed an economy leading to full recovery of a non-COVID business in Q3. In Q4, in spite of conducting the highest round of COVID tests, COVID revenue contributions stood lower at 14% of revenue due to lower prices. Our conscious decision to focus on non-COVID revenues from Q1 has helped not only to early normalization of non-COVID revenue but lead to a positive growth in Q4. For the unorganized industry, non-COVID revenue normalization has still not happened.

The important point to note here is the non-COVID business grew strongly by 12% quarter-on-quarter in Q4 and 22% year-on-year.

Let me also share with you that our NACO contract has been extended. It's a prestigious PPP contract for us and enforces our confidence in our scientific and on-ground execution capability.

Our progress during FY'21 on our KPI has been as follows: Number one, includes the revenue share of B2C business, our revenue share of B2C in focus cities for non-COVID increased to 58% from 56% in FY'20. Our vision is to take this to 65%.

Considering that Metropolis has done 63% of COVID business via the B2C channel in focus and seeding cities, this has allowed 8 lakhs new consumers to experience our services in that. This will be a big opportunity going into the next few years.

Further, I would also like to highlight that our efforts during COVID period has strengthened our brand in North and East of India. North India, for instance, now contribute to 10% of sales in FY'21 versus 9% in FY'20 on an enhanced revenue base by signifying the improved visibility for our brand.

Number two, the increased revenue contribution of specialty test. Our revenue contributions from specialty test for non-COVID increased to 42% in FY'21 from 37% a year before, increasing our revenue per test and making us even more relevant to patients treatment, therefore increasing the stickiness of the business.

Number three, ramp up in home care offerings. Revenue from home care for non-COVID has increased by 22% year-on-year to Rs.80 crores in FY'21. If we include COVID on overall basis our revenue from home testing more than doubled to Rs.136 crores in FY'21. This channel is profitable for us and allows us to serve patients in areas where we may not have had physical distribution. It's a scale of standardizing quality of home services for testing in Make in India and challenging to build due to barriers of entry which are intense management skills, training manpower, logistics expertise, automation and brand.

Number four, digital efforts fetched us great results. While our efforts to enhance customer experience, we have revamped our app, website, optimization of digital presence and marketing efforts, all working in sync with the customer-focused approach. We witnessed 15x increase in website traffic, faster growth and home visit revenue and 10x increase in call volume. As a result of these efforts about Rs.80 crores of revenue generated by our digital medium which is about 8% of FY'21 top line. Adding new customers to digital reach has helped in normalizing the non-COVID revenue much earlier than others in the industry.

Let me now share with you the Growth Drivers for FY'22 and beyond:

From '17 to '20 since Metropolis already had a large backing lab network with established regional reference labs and stat lab, we primarily expanded our collection center network from 300 in 2016 to 2500 in an asset-light manner by '21. In 2021 we called and consolidated the network focusing on hygiene and productivity. We believe it's now time to again move into an expansion mode, this time for labs and collection point.

As of March '21, we have 125 labs and a network of 2,555 service centers, compromising of associate referral centers owned and third-party service centers. Of these, one is the global reference lab, 13 are regional reference labs and the rest are stat labs.

Our key idea over the next three years is to add 90 more stat labs and about 1,800 service collection centers. While the lab will be a combination of Greenfield labs and lab on lease contract, 1,800 service centers will be primarily third-party service centers leading to an asset light expansion. This network expansion will give us entry into 100 to 150 more cities in India. The expected CAPEX investment would be approximately Rs.30 crores to Rs.35 crores over a three year period.

Our network expansion would be of two types:

In states like Maharashtra and Gujarat where we have a strong brand and we believe we can go deeper into tier-2 or tier-3 towns.

And secondly, in states where we have built some revenues through a franchise route and now want to establish ourselves to our own labs in a bigger way. These states would include Madhya Pradesh, Uttar Pradesh, Odisha, Jharkhand, Telangana and Andhra Pradesh. This expansion plan is expected to have an impact of 75 to 100 bps on the EBITDA margin in the first year. But on the back of various cost optimization initiatives we are undertaking, we expect to be neutral on overall consolidated margins as a result of this expansion.

One of the biggest differentiators and benefits of the current Metropolis infrastructure is that we have already built the required infrastructure in terms of 13 regional reference labs spread across the group and therefore do not need large investment in CAPEX needed for a new regional reference lab or the margin dilution that it causes for many years. The stat labs will attach to these existing regional reference labs. I think the new labs which we're going to build will attach to the existing RRL for more specialized testing needs. With more volumes coming into the regional reference lab, we will enjoy operating leverage benefit.

Along with this physical brick-and-mortar expansion plan, we will also be accelerating the virtual channel home testing. The widening of physical centers also increases the demand generation for home testing services in that area.

We have expanded our home business coverage to 60 cities as of March '21. Our target is to be at 100 cities in this year FY'21-22 and 200 cities by '23. This strategy will enable us to move closer to the customer we acquire via digital and other marketing channels and have a lasting impact on the customer in terms of a superior experience.

Home visit business also helps us move towards our increased B2C KPI and enjoy the better market profile enhancing the overall profitability of the company.

Our brand recall in most of the 200 cities we operate in has been higher today than the pre-COVID area and I'm happy to share that a key trend we witnessed is the conversion of first-time COVID customers. About eight lakh new customers experience the service of Metropolis for the first time to COVID tests. Out of which about 10% have already come back to Metropolis for non-COVID tests.

In an industry where most consumers use services only once a year, the fact that 10% has come back only in six months, speaks volumes of the opportunity at hand.

The next thing we're going to focus on is making the brand bigger. Building the digital ecosystem for testing through all the platforms we have shared in last call, we are also keeping ourselves ready for any business opportunity or partnership and various healthcare complementary verticals such as e-wellness, tele-consultations and e-pharmacy.

We have also welcomed Mr. Girish Singh as the Chief Consumer Officer to lead the digital to consumer part of the business. Girish comes from Uber with rich experience in heading the business and marketing vertical.

Our current contribution from direct-to-consumer is 8% of total revenue. Our target is to reach 15% revenue contributions through digital leads by end of this year and increase it to one-third of our revenue over the next three years.

Illness and wellness are both categories that we'll be focused on. And with significant investments going into scaling up the wellness categories. We are ready to make these investments needed to make this happen.

All in all, this we believe we have a good visibility of margin uptick as compared to FY'21 and the drivers of these will be, number one, improving the B2C contribution especially in focus in seeding cities via network and home testing expansion, now to increase in geography is spread into 100 to 150 new cities via physical and home service ramp-up.

Number three, increase volume and revenue contributions from a profitable specialized work.

Number four, optimize overhead costs on the back of digital integration resulting in better productivity and efficiency.

Let me now update you on the Hitech Diagnostics Acquisition. As you are aware, we have got the shareholder and regulatory approval for concluding the transaction. The acquisition was to be concluded in this month; however, all the selling shareholders and their families are in poor health as we speak, and this is coupled with a lockdown situation in Tamil Nadu. As a result, the completion of acquisition is delayed. It is important to note that with this delay, the prudence for share issuance as part of the transaction with the shareholders, stock exchanges and SEBI will overlap. In view of the same, we will need to seek fresh approvals now. We have been advised by a legal advisor that this process could take two to three months. Once the shareholders health or the sellers is better, we will pick this up and keep you updated around the progress of the transaction.

Let me conclude by saying that at Metropolis, we remain very upbeat on business and believe the journey of market share shift to organize players will intensify over the short to medium term.

We continue to explore interesting and organic opportunities that are in line with our strategic vision as well.

We are thankful to all stakeholders especially our employees who have worked tirelessly in this challenging time and not only serve humanity but also strengthens the Metropolis front. That's all from my side.

Vijender will now take you through some of the operational parameters.

Vijender Singh: Hi, thank you Ameera and good morning, everyone. Let me first start by congratulating on receiving the Entrepreneur of the Year Award by EY in Life Sciences and Healthcare Category. And Rakesh, our CFO was awarded at Annual CFO Awards for Exceptional Contribution to the World of Finance. Receiving recognition during such challenging times reflects the strong pedigree of the management skin in the game.

Let me now give you a perspective on our operational parameters:

For Q4 FY'21, we reported patient visits of 3.2 million registering a growth of 29% on year-on-year basis. Even on quarter-on-quarter basis it grew by 19%. On full-year basis we recorded patient visits of 9.8 million as compared to 10 million FY'20, almost similar to last year levels in spite of severely impacted Q1.

During Q4 FY'21, we conducted 6.5 million tests, 23 more tests year-on-year. On quarter-on-quarter basis it grew by 26%. On full year basis we undertook 19 million tests as compared to 19.6 million tests last year.

For Q4 FY'21, revenue per patient including COVID-19 increased by 9% year-on-year to Rs.920. On non-COVID basis, it grew slightly better at 10% year-on-year to Rs.925. On full year basis, revenue per patient including COVID-19 increased by 19% year-on-year to Rs.1015. On non-COVID basis, it grew by 6% year-on-year to Rs.905.

For Q4 FY'21, revenue per test including COVID-19 increased by 15% year-on-year to Rs.452. On non-COVID basis it grew by 7% year-on-year to Rs.418.

On full year basis, revenue per test including COVID-19 increased by 20% year-on-year to Rs.524. On non-COVID basis, it stood at Rs.433, almost similar to last year levels. Most of the variations during the year was due to higher price COVID tests at the start of the year and gradually lowered down towards the end of FY'21.

Our revenue profile among focus is seeding the other cities stood at as follows: Focus five cities including the city and peripheral area around metropolitan region contribution increased by 400 basis points from 56% in FY'20 to 60% in FY'21. Seeding cities, (eight cities) including the city and the peripheral area around the region contribution has moved from 19% in FY'20 to 21% in FY'21. Higher revenue contribution from focus and seeding cities is attributable to our focus marketing and branding initiatives in these areas. Rest of the other cities contributed 19% of the revenue in FY'21.

Our revenue share of B2C business in focus cities for non-COVID business has increased by 200 basis points from 56% in FY'20 to 58% in FY'21. With the increasing marketing initiative towards B2C side of the business, we are confident to reach our target of 65% soon.

With respect to geographical distribution on full year basis, revenue contribution from west region was 58%, south contributing 24%, north contributing 10% while rest was contributed from east and international locations.

With respect to test mix on volume and value basis, during FY'21 for non-COVID business the volume contribution from specialized tests increased to 16% as compared to 14% in FY'20. Revenue contribution from the same increased to 42% in FY'21 as compared to 37% in FY'20 in line with our strategy. The volume and value mix overall continues to see improvement.

To conclude from my side, the key factors which will lead the next level of growth at Metropolis will be ramping up the non-COVID business and home visit testing, improving profitability through increased B2C business, better test mix and cost optimization initiatives through digitization, automation and strengthening the brand equity of Metropolis through continuous improvement in customer experience and focused marketing initiative.

That's all from my side. I now ask Rakesh to take you through the Financials. Thank you.

Rakesh Agarwal: Thank you, Vijender. Good morning to everyone on the call. Let me give you a Snapshot of our Financial Performance:

Q4 financial year '21 revenue stood at Rs.292 crores as compared to Rs.206 crores in Q4 financial year '20, up by 42% year-on-year basis. On quarter-on-quarter basis, it grew by 6%. Non-COVID business contributed 86% of the revenue while COVID contributed the rest 14% of the revenue during Q4. Non-COVID revenue stood at Rs.251 crores in Q4 financial year '21, up by 22% YoY. Even if you normalize March '20 considering no lockdown, we would have still posted strong growth on YoY basis in Q4. Even on quarter-on-quarter basis, non-COVID revenue grew by 12%.

For financial year '21 revenue stood at Rs.998 crores as compared to Rs.856 crores in financial year '20, up by 17% YoY. Non-COVID revenue contributed 77% of this revenue while COVID contributed the rest 23% of the revenue in financial year '21. EBITDA before CSR and ESOP stood at Rs.103.5 crores in Q4 financial year '21 as compared to Rs.51.7 crores in Q4 financial year '20, doubled on YoY basis, on quarter-on-quarter basis increased by 15%. For financial year '21, it stood at Rs.301.1 crores as compared to Rs.233.4 crores in financial year '20, up by 29% YoY. This is the first time we have crossed Rs.100 crores EBITDA in a quarter and Rs.300 crores EBITDA in a year. EBITDA margin before CSR and ESOP expanded by 1,040 basis points year-on-year and 290 basis points quarter-on-quarter to 35.5% in Q4 financial year '21. For financial year '21 it expanded by 290 basis points YoY to 30.2%. Margin expansion is attributable to operating leverage benefits playing out due to increased scale of business, better text mix and cost optimization initiative undertaken during the last year.

Q4 financial year '21 PAT stood at Rs.61.3 crores as compared to Rs.15.5 crores in Q4 financial year '20, up by 296% YoY. Q4 last year had an exceptional item and therefore it is not exactly comparable but even on QoQ basis PAT grew by 5%. Financial Year '21 PAT stood at Rs.183.83 crores as compared to Rs.127.6 crores in Financial Year '20, up by 44% YoY. Q4 financial year '21 PAT margin stood at 21% as compared to 7.5% in Q4 financial year '20. Financial Year '21 PAT margin expanded by 350 basis points year-on-year from 14.9% in financial year '20 to 18.4% in financial year '21.

We have continued to focus on our collection efficiency. Our debtors days has improved from 55 days in March '20 to 41 days in March '21, that is an improvement of almost 25%.

Overall working capital has improved from 11 days in March '20 to four days in March '21.

Our liquidity position remain very strong with cash and cash equivalent of Rs.428 crores as on March '21. OFC-to-EBITDA stood at a very healthy average of 86% for financial year '21. Return ratio continues to improve. ROCE of 40.9% and ROE of 30.6 is recorded during financial year '21, its improvement from the last year.

That is all from my side. We now leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. Before we start the Q&A session, a disclaimer to the participants. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

We will now begin the question-and-answer session. The first question is from the line of Rajesh Kothari from Alfaccurate Advisors. Please go ahead.

Rajesh Kothari: I have two questions. First is again you have shared very good insights about your digital initiatives. Since there are many new customers first time probably customers of Metropolis, how do you plan to use this data to convert it into non-COVID related revenue? And my second question is in last 12, 18 months which is very difficult period for many standalone laboratories, do you see a consolidation in the industry and winning the further market share, how do you see that opportunity?

Ameera Shah: As far as the COVID patients that have used our services and how we can make them, so what we have done actually in the last year is setting up sort of a CRM automation program where as consumers come into the system, we are able to mine the data and be able to do an automation marketing campaign to them for things that are relevant to them, for example, if you know that somebody had come in for diabetes issue, then we are able to go back to them and ask them to look at other tests which are related to their diabetes issues. So that whatever promotion we are doing is very scientific and based on the requirement of a patient and not just push. So therefore similarly the patients who have come in from a COVID testing perspective there will be many allied tests which they will require over the course of the next year. Beyond COVID, they will also require wellness checks, just to make sure that immunity, their bodies do well, their families will need it. And of course as and when they get sick again for any other reason, the experience of Metropolis which we will continue to engage with them on hopefully will be something that they will remember and want to come back and use our services. So it's really going to be all about making ourselves available, accessible from a time perspective as well as from a quality of experience perspective. I think one thing which this pandemic has definitely done is brought into focus the requirement and need for good quality testing facilities and therefore people are now I think not willing to just go to any lab I think there is certain brand recognition. This movement not obviously all patients will transition from COVID to non-COVID but we do believe that with our scientific efforts, with our availability, accessibility for home services and collection centers and that's one of the reasons we want to continue to expand the distribution and the infrastructure whether it is physical brick-and-mortar or by virtual in terms of home collections. And we believe by making ourselves more accessible immediately in terms of spot visits as well it will be very helpful in doing these conversions. The second question that you asked about individual labs and do you see more consolidation. I think at this point of time, individual labs frankly, I don't see many buyers because the lab size is going to be quite small. So, yes, there will be many individual labs would be happy to sell but I really don't see buyers who are going out to take the individual labs because the process of acquisition as you know is very, very painful especially when it comes to a lab which are not at all mature because their systems will not be in place but we are seeing a slightly more hectic M&A activity around the medium-sized regional labs. The regional labs have done well during this pandemic because the COVID revenues that they have got have actually outsized their non-COVID revenues and therefore quite a few of them are keen to capitalize on it and to look at doing some transactions. So, yes, I do believe we will see a good amount of consolidation.

Moderator: Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: My first question is on the margin performance. This quarter the reported EBITDA margin seems to be 33% versus 31.5% in previous quarter. I can see you've mentioned in the presentation cost optimization, automation, scale of business as factors that drove the operating leverage. In the context of this being COVID testing price caps which would typically be margin-dilutive, could you provide some additional color on specific factors that offset this factor and if these are sustainable in a post-COVID world?

Ameera Shah: I think a few areas that we have worked quite a bit in the past year and a half. I think one thing which we already mentioned was that we are signing new contracts with suppliers which benefit we got most of last year and therefore that definitely helped in terms of the margin. These are vendors who would provide us machines and reagents, chemicals, etc., The second activity we had also done was really look at productivity of our team where there is work that is very manual that can be automated and therefore we were also able to cut a lot of costs because of making teams far more productive. Number three, I think many of our processes were tending to be more manual in nature before. Because sometimes we did not have clear data visibility on exact thing. So let me give you an example of logistics. Earlier while we had obviously logistics team, the management of the logistics team was manual and therefore they would submit bills let's say for example for a certain amount of travel, for a certain amount of kilometers that they were traveling and those were paid to them accordingly. When we have automated through logistics automation the data about how much we are traveling, how many pickups are happening, what is the cost, etc., all of this allows us to have more visibility and therefore we are able to take actions based on this new data that we now have. So this kind of automation at the back end we have done in various areas which is giving us far more insight into how to better manage the same function and it's therefore helping us make it leaner and more efficient.

Chandramouli Muthiah: My second question is on the non-COVID business. You've mentioned that you expect non-COVID business to remain healthy as vaccinations are ramping up. Is that comment more in the annual sort of FY'22 context and specifically given the lockdowns recently in most states do we expect some near-term moderation in non-COVID business?

Ameera Shah: Yes, absolutely. I think that comment was from an annual basis, not from a quarterly basis. I think things are so uncertain in India right now that I think it would require the hand of god to predict what's going to happen on a quarterly basis but in our estimation as lockdown is quite significant in the first quarter of this year in most states in the country, there is some effect of that on non-COVID business, but again that usually happens when COVID business increases. So usually there is a balancing act between the two. Our expectation is if things go the way they are supposed to go, in Q2 things will be normalized and hopefully move into a positive growth in non-COVID because COVID will be lower. If a third wave happens then obviously Q3 we may see a repetition of Q1. So I think we'll just have to wait and see direction of COVID. My personal opinion is that vaccinations will only start picking up from July onwards and therefore it is quite likely that we may see a third wave because by the time we are able to actually complete vaccinations even in cities will be closer to December.

Moderator: Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Ameera, you laid out quite a detailed expansion plans on labs and collection centers. We've always maintained that Metropolis is fairly young network with a large expansion has happened in the last five, seven years. I just wanted to understand are we facing capacity constraint which is leading to this expansion or is this effort more because you think M&A is unlikely to accelerate growth and therefore it makes no sense to do it, I'm just trying to understand why these aggressive expansion plan now?

Ameera Shah: Actually neither of the two reasons, Neha. The reason is very simple. Today, we operate in about 200 cities in the country. When you see that we have got 125 labs, those are probably in about 100 cities across the country, which means that between 100 and 200 where in 200 we have collection centers and network points and all of that, but we don't have lab centers. Now usually when you go into a city let's take for example we've gone into Bhilai and in Bhilai we have a franchise collection center where we are picking up samples and we are sending it to the closest lab from Bhilai. Now our business in Bhilai has built up to a certain level but we were only getting specialized tests because obviously we were not able to give the routine test because we didn't have local processing. Now, we believe our brand has built up in that market enough that it justifies creating a new lab in Bhilai that will not only do routine tests locally but continue to pick up those tests in Bhilai and send them to the closer lab present. So we are actually expanding a whole category of customer which is the routine test which earlier we had no access to in these 100 cities. So the idea of always going into a new market with a franchise over your own collection center if you build up your brand, to build up certain volume and then follow it up by opening your own lab. And that's just what we are doing is a natural progression of the cycle that makes sense to us in pathology. So the next step is as we build these 90 labs in these 100 cities where we have already built some brands we will then expand our franchisee collection centers to another 200 cities. So hopefully in the next three years we will be present in 350 cities to 400 cities where again we would have labs in 200 but there will be another 200 in which we are building our brand through collection centers and picking up samples. And that's how the growth journey continues to move as we continue to expand across the country.

Neha Manpuria: Does it essentially accelerate our growth now because one, when we are able to capture a larger wallet share for patients that we are already catering to and two, we are also entering new markets or new customers that we have acquired in new cities that we have connected through COVID is that the way we should look at it?

Ameera Shah: Absolutely, I think what is happening with COVID also is that there are big changes happening in population movement, right, as we are seeing there are patients or people, consumers who are living in cities who are now moving back to their hometowns saying they don't want to be in cities anymore. There's a lot of movement happening in the country as well and therefore people let's say who are coming into cities for healthcare or for jobs or whatever, we will probably start to see some movement back to their smaller towns as well. And therefore we think it's important to also reach out and set up that kind of infrastructure in the smaller town but we don't know yet whether we are going to land up seeing a lesser growth in the metro cities because of this. I think this is an unknown. So the sense I have is that in the metro cities we will see a movement from unorganized to organized and then when we go into these smaller towns it will take us some time to set up there really build the brand to really escalate. So there will be a push on growth overall as an organization and that's the idea of the geographical spread and really moving out there to get into new geographies and markets that we were not present in.

Neha Manpuria: My second question is on the making the brand bigger. You mentioned partnership, focusing on the wellness, e-pharmacy tele-consulting. And you mentioned the B2C revenue components which from 8% to one-third over the years, what exactly is that -- is that digital, I couldn't really understand what you were referring to that?

Ameera Shah: Currently, 8% of our revenue comes through digital channel where we acquire consumers and patients through digital channels and we fulfill those services. We indicated that we would like this number to increase to be closer to 14% to 15% by the end of this year and we would like this number to escalate to be coming closer to about 30% in three years. As we have already mentioned this was separate was that we are open to exploring expansion of our services beyond pathology to also things like e-pharmacy, tele-consultation and we are exploring that option to see whether there is synergy and it makes sense in terms of creating a larger digital health ecosystem, but our core business continues to expand from a digital perspective from 8% to 15% to hopefully 30%, that plan will continue while we explore all the other areas as well.

Neha Manpuria: So the 8% to 30% not dependent on any partnership or none of that right?

Ameera Shah: No, we are assuming obviously as the market at all there will be certain opportunities that will come our way but no, it's not dependent on pharmacy or consultation.

Moderator: Thank you. The next question is from the line of Nikhil Mathur from Ambit Capital. Please go ahead.

Nikhil Mathur: In the opening remarks, when you were talking about the expansion activities over the next three years, there was also a comment made that there might be some 75 to 100 bps points of margin dip in year one. So is my understanding correct that you are talking about FY'22 here? And a question associated with this would be, are we talking about this margin base on a full year FY'21 base of EBITDA margins, on nine months basis 32% because in 1Q there was a normal production because those margins were lower.

Ameera Shah: Sorry, I'm not able to hear you clearly, it's a bit muffled for me. But what I heard you saying is that you're asking us to explain the margin dilution of the 75 to 150 bps, is that right? So basically as we expand approximately 30 labs a year and 600 collection centers as we mentioned per year over a period of three years, we are expecting that there will be obviously some margin dilution that will happen which we are estimating to be 75-100 bps because obviously as we expand into more labs there will be more fixed costs, there will be efforts that will go into setting it up, it's not going to break even from day one, there will be some operational losses for the first year and therefore we said that this would be margin dilutive for a bit. Secondly, we said that we have initiated other cost initiatives which would potentially save us equivalent amount of savings to efficiency that would therefore neutralize the 75 to 100 bps margin dilution which would happen because of the expansion and therefore we do not believe that overall we should see dilution on the margin but that's how we were explaining.

Nikhil Mathur: What base are you working with there, is it the nine months base of EBITDA margin or full year FY'21 EBITDA margin of 29%?

Ameera Shah: The same way we are considering the whole year for FY'21, '22.

Nikhil Mathur: And second question is regarding the Hitech acquisition. The first and foremost is wishing a speedy recovery Hitech management. Can you help us understand how Hitech finances are shaping up? We had an update on nine months when the acquisition was announced. So how has the full year flows for them, any color on growth and margin and outlook would be really helpful?

Ameera Shah: So Hitech has performed well like most of us have. I think you have its number, but the year has ended in line with sort of the nine months, margins have again been higher than what they were traditionally because again economies of scale have benefited the bottom line. Overall I think the company has ended well. Rakesh, do you want to add any more specifics to this?

Rakesh Agarwal: The other point is that from a non-COVID point of view also they have done well, from overall COVID revenue also has faired well. So, overall growth looks very high in terms of top line and bottom line from the margin point of view they have performed as well. Because the audited numbers are not yet there so we can't reveal the exact numbers but overall they have really done well.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: A couple of questions. In the near term, do we see major change in consumer behavior at least in metro cities in terms of bundle tests being demanded more than before preventive share increasing? And as we drive to increase to B2C non-COVID business to 65%, how do we actually plan to differentiate as there is already a need which is being fulfilled by somebody in terms of competitive landscape? Lastly, if I look at the PAT growth of 44%, cash flow from operations is up just 8%, 9%, so when do we see operating cash flow matching the PAT growth?

Ameera Shah: I'll take the first question and ask Rakesh to take second. As far as the first question what you're saying is that people's needs are already being met. If we talk about pre-COVID, "Was there a place where we could go and get a blood test?" Yes, of course, there was a place you can go and get a blood test. But what is the quality of your blood test? Is your doctor happy with it? Are you happy with the service? All of those things were not really being challenged. With COVID what has happened is number one, something that you as a consumer never really thought so much about before in terms of where I go to get my test, suddenly has become more important and you are more conscious of the fact that you want to go to a good lab and you want to get it done correctly because obviously certain brands have come to the light during this entire process, that's number one. You also realize that compared to a local lab on the street, there are a few companies like Metropolis which have got more advanced testing capabilities which have the ability to do the most advanced test. So your own consciousness and your own mindset have changed during this period. Along with that most people have become more digitally enabled and become more used to do things through technology. Now you may not necessarily want to go back to your same old lab which was next to your house where you go and there is no technology engagement, you may not find things super hygienic or thing and you are looking for an experience where you can get on your app or get on to portal you can either book a visit where you can walk in or somebody can come to your house, reports are electronic, you can pay online, an experience that you are experiencing with Swiggy or Zomato or Amazon or any of the other companies in other industries. So the combination of these two things happening together, we believe will probably change consumer behavior in a direction that they will prefer to go to an organized sector where they have more trust of the brand as well as this different kind of digital experience and a professional, standardized experience versus the unorganized sector. There is a bunch of research that's actually happening as we speak to try and see how consumer behavior is changing. Obviously, everybody's still in the process of evaluating this but this is the direction that we believe things are going to go.

Prakash Kapadia: The first question in terms of scenario in the near term do we see increasing bundle test from the consumer side?

Ameera Shah: Not really. I think we definitely see wellness and preventive healthcare becoming more important because people are more concerned about their health, they want to make sure once a year or twice a year they are in good shape internally, I think that definitely will increase once the pandemic sort of settles down. We do see every time COVID goes up, obviously wellness comes down because people don't want to interact with healthcare services in a COVID time, they want to stay at home and not meet anybody. So the wellness fees does come down when COVID increases but overall we do see wellness increasing. But what you are saying bundling of tests, usually a bundling of tests is done from a pricing perspective, it is not done from a scientific perspective and what we have to realize is that in our industry it's more about what each of you needs depending on your health scenario and also what the doctor prescribes, So it's not about us just giving a bundle of tests and people picking it up because each doctor's prescription will be different and each patient will require different tests for their health. Therefore the wellness bundling will increase but not necessarily illness bundle.

Rakesh Agarwal: On cash flow question, if you look at, I don't know 8% number seems to be a bit, we will check it up. There are two reasons to it; one is that we have deliberately invested some money in our inventory because of the surge which is happening and we knew that there will be a lot of demands of certain tests and we have deliberately kept approximately Rs.10 crores to Rs.15 crores of extra inventory in our kitty as on March. So that actually is impacting a bit of a working capital. And we have also improved upon our creditors days from 94 days to approximately 82 days. So that also has helped us in the market but obviously from a working capital point of view there is a change of working capital from last year 28 positive to 16 negative this year basically which means that Rs.44 crores of working capital has changed in comparison to last two years. So that is one reason for it. And the second reason is that we have taken an exceptional item last year and that has actually helped because that was not a cash impacting item in this PAT, so that also helped us a bit of a change in the cash position. So, I think these are the two…

Prakash Kapadia: Inventory which we've built is specifically for COVID related materials?

Rakesh Agarwal: Yeah, mainly COVID and COVID rub off because we knew that this second wave is coming big and we will need this testing in a big scale. So I think deliberately we have ramped up a bit of inventory in Q4 but it will get liquidated in Q1, so it will come to normalcy.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: My first question is related to the revenue per patient realization number? And sequentially we had observed there is 9% of a correction. So what's the basic reason behind that -- is that a COVID business down, has impacted? And also the year we had seen some 19% of improvement and also like we had given a plan for expansion in the smaller cities. So how you are confident to sustain these numbers from here onwards?

Ameera Shah: I will ask Rakesh or Vijender to pick up the point in the revenue for sample and revenue per test. But then broadly obviously this has been a very unfortunate year with a lot of price fluctuations based on the government taking decisions on COVID test and otherwise. Overall I think we've still done well on non-COVID basis as far as revenue per patient and I think that should be the KPI that we should continue to follow as we've always indicated before. Your question on "As we go into smaller markets, how do we sustain this?" I think the important thing is really not to try to sustain the overall number. I think when we dissect the revenue per patient our own existing numbers into metro cities and smaller towns, anyway there is addition, the metros obviously are higher, the smaller towns are smaller. And if we are only focused on sustaining the revenue per patient, overall number you'll never be able to grow into the smaller towns. I think what's more important is we should look at the overall growth that it has and the overall profitability that it has in time. And while of course we would like to sustain the revenue per patient numbers that should not become an obstacle for us in terms of focusing on growth.

Vijender Singh: On revenue per patient I think in Q4 we've seen a drastic improvement on the OPDs and IPDs where patients had started coming for their pent up kind of demand and some elective surgeries. So there was an improvement on that piece. Secondly, probably changes happening primarily because of the rub off test also and the contribution of rub off test is in the range of 3% to 4% in Q4 as well whereas Q3 was much better; however, the drastic improvement is primarily because of the OPD and IPD.

Praveen Sahay: So it's major to do with the COVID, not the non-COVID business. Second question is related to the COVID…

Ameera Shah: No, IPD and OPD is related to non-COVID.

Praveen Sahay: Yeah, yeah, it should, as I can see there is a correction, so that correction is because of a COVID business only on the overall realization now?

Ameera Shah: That's right. If you look at the separate data we have given you for non-COVID you will see there is no correction.

Praveen Sahay: Second is related to the COVID business. As April, May and there is a surge in the COVID cases, is it possible for you to share some per day run rate number, how you are doing this? And the last year full year how much of COVID test you have done?

Ameera Shah: I don't think we have that data ready but I'm sure Rakesh can come back to you with it later.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: We missed the Rs.1,000 crores mark by a whisker. I think hopefully fiscal '22 might have that happen. Thanks for detailing the three-year vision, that helps. I had two questions. Firstly, on the vision part. So in terms of bandwidth and preparation could you help me understand what are the gaps to be fulfilled, how do you achieve go through this journey over the next three years? Financially I think obviously cash flows are decent, so I'm not really bothered with that. But to maintain your customer experience, people management, what kind of bandwidth do you need in the company to achieve this plan, if you could throw a bit of more color on that will be helpful?

Ameera Shah: A good question. Obviously all these things are at the end of the day reflection of teams. What we did a couple of years ago was actually we decided to rejig some of our top teams. So as you all know we brought in a new CHR, we brought in CFO, Rakesh, we also brought in a new Head of Operations, Kannan… and we actually have promoted him now to Chief Operations Officer. We've already built a good corporate team as well as second line team below them which has really sort of strengthened the operations. We still find probably one or two positions that we would like to add at the top level and we are in the process of finalizing those and we believe that those will also help us in terms of preparing for this plan forward. What we believe is that each of these drivers or pillars of growth needs to have one owner and a person who we can depend on who takes accountability and drives it and therefore we are trying to structure the organization in that way that each of the key growth drivers has got somebody that's really pushing it forward and then obviously the corporate team at the back supports in every way possible in terms of ease of doing business, automation, helping make business decisions by providing the right business analytics and giving that kind of visibility into how do you make decisions which are data-driven. I think that's the general direction we are going. So we've already added a lot of people but we will be adding probably two more senior leadership people in the next few months which will also continue to bolster some of the efforts over the next three years. On the customer experience side, it's been a challenging year for healthcare because really how much your effort our teams put in this kind of a pandemic it's never enough because there are obviously people who need more help and support. What is happening is for companies like ours and others there used to be a time when you we were doing 3,000, 4,000 calls a day let's say in a call center and in a matter of one week we jumped up to suddenly 12,000 calls a day. Now, those kind of things they happen because the way it comes suddenly is impossible to actually meet up the complete and be able to pick up every one of those 12,000 so we will have a certain amount of patients who will not necessarily get the best services at that point of time. So the question is really how do we manage those relationships, how do they service recovery, how do you continue to show that your brand is well-meaning even when a surge comes and you're not able to give the best service in some cases. So I think it's about just focusing on those customers, focusing on your NPA scores and building the team that give them the automation, the tools, and the resources to be able to really look forward and that's what we've been really busy doing. I hope that answers your question. I won't be able to give you a little bit more specifics about the positions at this stage but we're definitely adding to the senior leadership team.

Rahul Agarwal: Second question was on the balance sheet. The debtor management obviously it's been heartening to see the reduction there over the last two years, now it's come down almost to 40, 45 days of sales. Is it more fiscal '21 specific where the revenue mix is driving this change or is this more structural, any outlook you could give for fiscal '22 will be helpful on purely receivable management?

Rakesh Agarwal: Basically it's a very systemic thing, it's not a one-time let me just assure you that because there are a lot of efforts have gone into it where we have created a lot of visibility around the numbers, we have created a lot of controls over it where the system now have all the rights to see how many days of DSO is pending and if there is any overview it gives a reminder, alert, block the code, lot of control has been built in and we now have a very-very rigorous team which really goes after the receivable. So the whole last year we have really worked on the systemic things and I'm sure that whatever improvement we have done we are going to see further improvement over it and it will continue as a journey. So these are all built-in controls, built-in visibilities which will help us in the long run as well. So I'm confident that this is not a one-time phenomena and we will continue to improve upon this going forward. and just to give you a glimpse of how well we have done is that in spite of 140, 145 crores of increase in revenue this year, we are able to reduce the receivable from the overall accountability, that's something speaks volume of how well the whole receivable has been managed.

Ameera Shah: If I can add one point to that, during COVID, there was a choice kind of COVID business we want to go after, there was government business available, there was B2B business available, there was B2C channel. Vijender, Rakesh and myself made a very conscious decision that we will pursue more of B2C COVID, using it as an opportunity for the future where those customers can hopefully come back to you for non-COVID rather than pursuing only government business which will become a one-time transaction. These kind of conscious decisions have also helped in keeping the credit issues low because we know that people who pursued the B2B and the government route very generously is having challenges from a collection perspective.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Ameera, if you take the Q4 as a reference for non-COVID business, then what's the sort of a growth outlook that you would give on a one year, three year basis, your thoughts on this?

Ameera Shah: Sameer, difficult for us to give the guidance at this point of time because so much of it depends on the number of COVID waves and surges we will see. Like we indicated in Q1 with the COVID surge that we all know has happened it does impact the lock down to impact non-COVID. So therefore it's just very difficult at this point of time to give a guidance honestly for you because it just depends on so many factors which are unknown. So I think the only thing to absolute state is that with the expansion that we are doing in terms of distributions, physical as well as services the kind of investment we are making into digital as well, I think we should definitely see a fair growth in the next few years and that's been the idea of really keeping that growth engine going. So I think if you look at our CAGR sort of growth for the last three years

I think our CAGR is despite of COVID has come to about 16%, 17%. I think that's a number that we've obviously been very comfortable historically. Now, assuming that there are few challenges which are unseen we'll have to see if we can continue that sort of trend going forward.

Sameer Baisiwala: Just on this point, Ameera, how do you think about the rural business, in the sense that how underpenetrated is that market and in the longer term do you have any plans to cater to that?

Ameera Shah: Sameer, it's definitely a very-very underpenetrated market but everybody thinks that something which is under penetrated definitely is this opportunity. I don't think that's necessarily the case as of yet. I mean, if you actually look at it broadly if you see the 70% of public infrastructure that's available which is government infrastructure it's all across the country, they take care of 30% of the healthcare requirements in the country. So, 70% of the requirements of the country are taken care of by 30% private infrastructure. The reason for that is because usually the government is more spread in rural and smaller markets and towns across the country. Of course, they also have their large hospitals in cities. But private infrastructure is more in metros. So where there is a choice? People, consumers prefer to go to private even if it means paying like what we see happening in metro city. But the same story when you go to rural India or you go to small towns, affordability is a big issue. And if you look at the cost of healthcare actually in smaller towns, it's significantly higher than the cost in metros. To give you an example if I have to hire a pathologist in Bombay or I have a pathologist in Chennai or in Trichur, the cost is totally different. The reason it's different is because it depends on the number of feeds of pathology in that state and people tend to usually stick to their own home markets where they've grown up, they don't move much like business people, doctors don't move much. And if you try to ask them to go to a small town, their cost will go up three times. So therefore I think for private healthcare to really go to rural India and make it economically viable to operate at the same kind of standards that we operate in cities I think it's quite a challenge. So there really needs to be a new model which is operating at a very different standard, operating in rural markets. I think at this point of time from our perspective there are still enough cities and towns where payment is not such a big issue. It makes sense to focus on those 100, 150, 200 cities before reinventing a new model which will be completely different from our existing model to go into it.

Sameer Baisiwala In your entire expansion plan for next three years, I don't think you made a reference to adding new reference labs. Any thoughts over there? And second is as you know Dr. Lal is going to open new reference labs in Bombay and Bangalore, so what does it mean for you especially given that these markets are large for you and quite saturated?

Ameera Shah: On the first question on not opening reference labs, I actually alluded to that point that we already have certain regional reference labs. The advantage of this for Metropolis is that we have already invested in these, we have already carried the cost of these OPEX and therefore we don't need to make the CAPEX investment or the additional OPEX investment which definitely comes diluting the margins every time you open a new referral. It dilutes your margin for almost three to four years till you get a certain amount of volume, it leads to the economies of scale. So for Metropolis, we are already done with that cycle and therefore we don't need to do that going forward. If you look at Delhi for example Metropolis already operate the regional reference lab and obviously that is the core market for Dr. Lal as well. This means basically that we land up competing on the B2B segment in Delhi. And in the B2B segment they will obviously have their relationships and their strengths and we will have ours. The market is still big in aspects and accommodate all of us. It is not a market of course you land up competing for hospital business. And probably the same thing happens in Bombay. There are already many players and Dr. Lal has already been competing in Bombay for the last 20 years as well. So they will now have a little bit more capabilities with the regional reference lab in Bombay but I don't see anything drastically changing in terms of something that will affect our profit.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Anmol Ganjoo for closing comments. Over to you, sir.

Anmol Ganjoo: Thank you, Ameera, thanks Vijender, thanks Rakesh for joining us and wish you all the best. You guys stay safe and thanks for giving us the opportunity to host the call. Have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of JM Financial that concludes this conference. We thank you all for joining us and you may now disconnect your lines.